

HSC Briefing

Executive Registry

78-7717

REVIEW STAFF

75-2065

28 July 1975

STATINTL

MEMORANDUM FOR: [REDACTED]

REFERENCE: OGC 75-2702: Request to Review Correspondence
Re GAO Audit of CIA

I am returning Helen Boatner's first draft with my marginal comments along with an outline that might be helpful in restructuring the response. I think the Director should firmly state at the very outset of any reply that:

"On July 25, at your request you were briefed with respect to the budget of the Intelligence Community and of the CIA in particular. I would be pleased to give a similar briefing to members of the subcommittee and answer any of their questions. I respectfully request, however, that such testimony be given in executive session."

To the extent that examples are available, I think they would be very useful to demonstrate why it is that budget figures can affectively uncover important classified materials.

STATINTL

[REDACTED]
Special Counsel to the Director

STATINTL

Distribution:

1- [REDACTED]

1-SC/DCI

1-ER

I. RESPONSE TO QUESTION: WHAT ARE CIA BUDGET FIGURES?

A. Introduction

1. Figures made available to Pike July 25.
2. Prepared to similarly brief HSC members and answer all questions
3. Respectfully request, however, that such be done in executive session.

B. How Congress Considers Budget Since 19__

1. Committees with Access (number of members).
2. Ability of all members to get figures on confidential basis (Is this true?)
3. How long process has operated.

C. Why Figures Cannot be Made Public

1. Development of Trends - Hypothetical example
2. Highlights Programs
U-2
Other Examples

3. What we do with Foreign Figures

Chinese Story
Other Examples

D. Arguments Raised for Open Budget.

1. Constitutional
Reply
2. Members Need to Know
Relates to Rules of House/we merely comply with Congressional procedures.
3. Public's Right to Know
"Cannot share the details with American people without sharing them with the people of the world at large"

Historical context (Federalist Papers examples
if such exist)

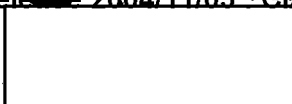
E. Summary and Conclusion

1. Willingness to proceed in Executive Session.
2. Obligation under statute to protect methods
and sources.
3. Incalculable harm vs. ?

25X1

Approved For Release 2004/11/03 : CIA-RDP89B00552R000100100106-1

MEMORANDUM FOR



This was prepared
by the Comptroller
and given to DCI
Saturday 7/26.

I gather an eventual
Statement will need
White House chop.

(DATE)

H. Knoche

7/28

FORM NO. 101 REPLACES FORM 10-101
1 AUG 54 WHICH MAY BE USED.

(47)

Approved For Release 2004/11/03 : CIA-RDP89B00552R000100100106-1

| | | | |
|--|---------------------|--------------|----------------|
| SENDER WILL CHECK CLASSIFICATION TOP AND BOTTOM | | | |
| UNCLASSIFIED | | CONFIDENTIAL | |
| SECRET | | | |
| OFFICIAL ROUTING SLIP | | | |
| TO | NAME AND ADDRESS | DATE | INITIALS |
| 1 | Hank Knoche- 6D0120 | | |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | | | |
| 6 | | | |
| ACTION | | DIRECT REPLY | PREPARE REPLY |
| APPROVAL | | DISPATCH | RECOMMENDATION |
| COMMENT | | FILE | RETURN |
| CONCURRENCE | | INFORMATION | SIGNATURE |
| Remarks: | | | |
| <p>As promised. Please let me know directly of any problems.</p> | | | |
| FOLD HERE TO RETURN TO SENDER | | | |
| FROM: NAME, ADDRESS AND PHONE NO. | | | DATE |
| Helene Boatner - ext. [] | | | 28 July 75 |
| UNCLASSIFIED | | CONFIDENTIAL | |
| | | SECRET | |

FORM NO. 1-67

237

Use previous editions

(40)

STAT

What is the budget ~~are~~ for the CIA?

Approved For Release 2004/11/03 : CIA-RDP89B00552R000100100106-1

Mr. Chairman,

As you know,
I am bound by law to protect the intelligence sources and methods *like the members of this Committee,* of this nation. I am ~~further~~ bound by my oath of office and by my own conscience to carry out the duties assigned to me as fully and effectively as possible. It is ~~apparent~~ clear from the legislative history of the establishment of CIA that Congress believed that the financial transactions related to intelligence should remain ~~secret~~ *outside of public gaze.* The Congress has consistently reaffirmed that position over the years--most recently in the Senate last June, when a proposed amendment requiring release of an annual budget figure for intelligence was rejected by a vote of 55 to 33. If the Congress changes the law, we will of course conform. But I am strongly opposed to such action, and I am pleased to have the opportunity to tell you and the American public why I think it an ~~unnecessary~~ *unappropriate* step, and one that inevitably will weaken our intelligence effort and our national security.

Many people feel that there is something unAmerican about fiscal secrecy, pointing to the Constitutional provision requiring that "No money shall be drawn from the Treasury, but in Consequence of Appropriations made by law; and a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time."

Mr. Chairman, that wording was debated at the Constitutional Convention; the debate shows clearly that the framers knowingly and deliberately chose those words to give Congress the power to withhold certain

CITE!
*where in
date is*

Approved For Release 2004/11/03 : CIA-RDP89B00552R000100100106-1
appropriations and expenditure data from the public, at least temporarily.

And Congress has exercised that option repeatedly over the years.

One common argument for an open budget is that Members of Congress must know whether a particular appropriation bill contains money for CIA in order to fully exercise their Constitutional duties. But it is a matter of record that CIA funds are contained only in Defense Department appropriations, and any member who wants to know which specific line items are involved can readily obtain that information, on a confidential basis, from the Chairmen of our Appropriations Committees. Thus this is no reason for declassifying the figure.

Another argument is that the American people have not only a right, but a real need to know about the CIA budget and that a dollar *figure* alone will satisfy this perceived need. Frankly I do not believe that a single money amount will serve any useful purpose. The dollar figure has meaning only if you know what it includes and what it excludes, how much is spent in the US and how much abroad, how much goes for people and how much for other purposes, and how these amounts are related to similar amounts for past years. We go into these details in depth with the Congressional Committees designated by the Congress, and I am prepared to support any strengthening of the oversight mechanism Congress chooses, so long as confidentiality can be maintained. But I cannot share these details with the American public without sharing them with the world at large.

Verlage NIXON!

Approved For Release 2004/11/03 : CIA-RDP89B00552R000100100106-1

today, planning to refuse to answer a similar question next year. Such a course is impractical. A precedent would be established. At the very least we would have to reveal a budget total each year. That would immediately give an intelligence analyst in another country something to work with. Moreover, I doubt that the damage would stop there. If figures for two years were available, would the members of this Committee refrain from questions about the reasons for the differences? Would the press?

My conviction that one revelation will lead to another is based on more than a "feeling". The atomic weapons budget has always been considered sensitive, and the Manhattan project was concealed completely during World War II. With the establishment of the AEC, however, a decision was made to include in the 1947 budget a one-line entry. Erosion of security followed rapidly. By 1974, a 15-page breakout and discussion of the atomic weapons program was being published. Were the intelligence budget to undergo a similar experience, the consequences could be very serious.

applied to budget data on the Agency or any other intelligence organization.

And that is why a careful check on our part has not turned up any example of a government anywhere in the world that publishes so much as a single figure on its intelligence budget. Look at this problem as we in intelligence look at foreign problems. For example, the Chinese have not published the value of their industrial production since 1960. But they have published percentage increases for some years without specifying the base, both for the nation and for most of the provinces. It took one key figure to make these pieces useful; when the Chinese reported that the value of industrial production in 1971 was 21 times that of 1949, we could derive an absolute figure for 1971. With this benchmark, we could reconstruct time series both nationally and province by province. If we begin releasing budget figures, others will be able to take scraps of information about the Agency and use a similar kind of analysis to ferret out details that would put some of our operations in jeopardy.

Let me turn your attention for a moment to the development of the U-2. Our budget did increase significantly during the development phase. That fact, if public, would have attracted attention abroad. If it had been supplemented by knowledge (available perhaps from Aviation Week, industry rumor or advanced espionage techniques) that funds were being committed to a major aircraft manufacturer and to a manufacturer of sophisticated mapping cameras, the correct conclusion would be simple to draw. The US manufacturers in question, their employees and their

suppliers and subcontractors would have become high priority intelligence
Approved For Release 2004/11/03 : CIA-RDP89B00552R000100100106-1

targets for foreign espionage. And I have no doubt that the Soviets
would have taken early steps to acquire a capability to destroy very-
high-altitude aircraft--steps they did indeed take, with eventual success,
once the aircraft began operating over their territory--that is, once
they had knowledge of a US intelligence project.

In summary, Mr. Chairman, I am a professional intelligence officer.
I have a ^{position} for which I was nominated by the President and confirmed
by the ^{Senate} Congress. It is to make our national intelligence effort as effective
as I can within the bounds of law. I do not believe that either the
Congress or the American public wants me to take a step which in my
considered judgment would weaken our intelligence effort and damage
our national security.

| SENDER WILL CHECK CLASSIFICATION ON TOP AND BOTTOM | | | | | |
|--|------------------|--------------|----------|----------------|---------|
| UNCLASSIFIED | | CONFIDENTIAL | | SECRET | |
| OFFICIAL ROUTING SLIP | | | | | |
| TO | NAME AND ADDRESS | DATE | INITIALS | | |
| 1 | SC/DCI - BX-3 | | | | |
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |
| 5 | | | | | |
| 6 | | | | | |
| ACTION | | DIRECT REPLY | | PREPARE REPLY | |
| APPROVAL | | DISPATCH | | RECOMMENDATION | |
| COMMENT | | FILE | | RETURN | |
| CONCURRENCE | | INFORMATION | | SIGNATURE | |
| Remarks: | | | | | |
| | | | | | |
| FOLD HERE TO RETURN TO SENDER | | | | | |
| FROM: NAME, ADDRESS AND PHONE NO. | | | | | DATE |
| General Counsel | | | | | 7/28/75 |
| UNCLASSIFIED | | CONFIDENTIAL | | SECRET | |

FORM NO. 1-67

237

Use previous editions

* GPO : 1974 O - 535-857

(40)

25 July 1975

MEMORANDUM FOR THE RECORD

SUBJECT: Request to Review Correspondence Re GAO Audit of CIA

1. Robert Keller, Deputy Comptroller General, called with respect to the various exchanges of correspondence occurring from about 1959 through 1962. These letters deal with GAO audit of CIA, correspondence with the Congress and eventual withdrawal of GAO. Keller advised that Staats has been called to testify early next week on these background arrangements and Keller's query was whether from the Agency's viewpoint the subject matter of these various letters could be considered declassified. After review of the letters, which are attached to a memorandum dated 14 March 1974 to the General Counsel from Steven Hale, Tabs A through L, I advised Keller that from our viewpoint these could be considered declassified. In turn, Keller advised that GAO-originated letters could also be considered declassified.

2. I pointed out that there were letters from the House Armed Services Committee, at least one of which is classified, although on its face there is no need for it at this time. I suggested that he might want to touch base with the Committee before considering it declassified. He stated he would do so and be in touch with Frank Slatinshek. I said we would also have our congressional people be in touch with the Committee to close the loop.

STATINTL

JOHN S. WARNER
General Counsel

cc: SC/DCI
OLC
Comptroller
D/Finance
Asst. to DCI

STATINTL